

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**December 8, 2021**

Sycamore Street Commons and La Playa Apartments, located at 125 Sycamore Street and 218 Leibrandt Avenue in Santa Cruz, requested and is being recommended for a reservation of \$1,832,790 in annual federal tax credits to finance the acquisition and rehabilitation of 67 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Mercy Housing California and is located in Senate District 17 and Assembly District 29.

Sycamore Street Commons and La Playa Apartments is a re-syndication of two existing Low Income Housing Tax Credit (LIHTC) projects, Sycamore Street Commons (CA-95-073) and La Playa Apartments (CA-91-108). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the Loan Portfolio Restructuring program of HCD.

**Project Number** CA-21-694

**Project Name** Sycamore Street Commons and La Playa Apartments

Site Address:	<u>Sycamore Street Commons</u>	<u>La Playa Apartments</u>
	125 Sycamore Street	218 Leibrandt Ave
	Santa Cruz, CA 95060	Santa Cruz, CA 95060
Census Tract:	1010.00	1010.00
County:	Santa Cruz	

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,832,790	\$0
Recommended:	\$1,832,790	\$0

**Applicant Information**

Applicant: Mercy Housing California 72, a California Limited Partnership  
Contact: Rich Ciraulo  
Address: 2515 River Plaza Drive, Suite 200  
Sacramento, CA 95833  
Phone: 916-414-4441  
Email: rciraulo@mercyhousing.org

General Partner(s) or Principal Owner(s):	Central Coast Housing, a CA nonprofit corporation
General Partner Type:	Nonprofit
Parent Company(ies):	Central Coast Housing, a CA nonprofit corporation
Developer:	Mercy Housing California
Bond Issuer:	California Municipal Finance Authority
Investor/Consultant:	California Housing Partnership Group
Management Agent:	Mercy Housing Management Group

**Project Information**

Construction Type: Acquisition and Rehabilitation  
 Total # Residential Buildings: 13  
 Total # of Units: 68  
 No. / % of Low Income Units: 67 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-Based Vouchers (14 units - 21%) / CDBG

**Information**

Housing Type: Large Family  
 Geographic Area: Central Coast Region  
 TCAC Project Analyst: Brett Andersen

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 7	10%
50% AMI: 36	54%
60% AMI: 24	36%

**Unit Mix**

16 1-Bedroom Units  
 21 2-Bedroom Units  
 26 3-Bedroom Units  
 5 4-Bedroom Units  


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 68 Total Units

<u>Unit Type &amp; Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 2 Bedrooms	30%	\$827
2 3 Bedrooms	30%	\$1,084
1 4 Bedrooms	30%	\$958
4 1 Bedroom	50%	\$382
2 2 Bedrooms	50%	\$1,094
1 3 Bedrooms	50%	\$1,265
4 1 Bedroom	50%	\$1,303
12 2 Bedrooms	50%	\$1,140
8 3 Bedrooms	50%	\$1,356
1 4 Bedrooms	50%	\$1,533
5 2 Bedrooms	60%	\$1,340
14 3 Bedrooms	60%	\$1,528
3 4 Bedrooms	60%	\$1,780
2 1 Bedroom	30%	\$781
4 1 Bedroom	50%	\$1,132
2 1 Bedroom	60%	\$1,429
1 3 Bedrooms	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$22,390,448
Construction Costs	\$0
Rehabilitation Costs	\$10,921,123
Construction Hard Cost Contingency	\$1,540,232
Soft Cost Contingency	\$281,246
Relocation	\$1,281,283
Architectural/Engineering	\$404,590
Const. Interest, Perm. Financing	\$2,083,224
Legal Fees	\$142,912
Reserves	\$609,476
Other Costs	\$755,272
Developer Fee	\$2,500,000
Commercial Costs	\$265,298
<b>Total</b>	<b>\$43,175,104</b>

**Residential**

Construction Cost Per Square Foot:	\$163
Per Unit Cost:	\$630,497
True Cash Per Unit Cost*:	\$444,974

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
US Bank Construction Loan	\$21,524,000	US Bank	\$4,705,000
HCD LPR Loan	\$2,733,472	HCD LPR Loan	\$2,733,472
City of Santa Cruz - RCRF, CDBG	\$926,575	City of Santa Cruz-RCRF/CDBG	\$926,575
City of Santa Cruz - RDA	\$842,240	City of Santa Cruz - RDA	\$842,240
Seller Carryback Loan	\$11,726,831	Seller Carryback Loan	\$11,726,831
GP Capital - existing reserves	\$897,986	GP Capital - existing reserves	\$897,986
GP Capital	\$100	GP Capital	\$100
Costs Deferred Until Conversion	\$1,511,150	Sponsor Loan	\$2,985,046
Accrued/Deferred Interest	\$498,485	Income from Operations	\$253,586
Deferred Developer Fee	\$977,430	Accrued/Deferred Interest	\$498,485
Tax Credit Equity	\$1,536,835	Deferred Developer Fee	\$977,430
		Tax Credit Equity	\$16,628,353
		<b>TOTAL</b>	<b>\$43,175,104</b>

\*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$17,006,355
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$23,711,492
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$22,108,262
Qualified Basis (Acquisition):	\$23,711,492
Applicable Rate:	4.00%
Maximum Annual Federal Credit, Rehabilitation:	\$884,330
Maximum Annual Federal Credit, Acquisition:	\$948,460
Approved Developer Fee in Project Cost:	\$2,500,000
Approved Developer Fee in Eligible Basis:	\$2,464,005
Investor/Consultant:	California Housing Partnership Group
Federal Tax Credit Factor:	\$0.90727

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Significant Information / Additional Conditions:** None.

**Resyndication and Resyndication Transfer Event**

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreements (CA-95-073 and CA-91-108). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

The newly resyndicated projects shall continue to meet the rents and income targeting levels in the existing regulatory agreements and any deeper targeting levels in the new regulatory agreements for the duration of the new regulatory agreements. Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreements (CA-95-073 and CA-91-108) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”)

The project is a re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from setting aside a Short Term Work Capitalized Replacement Reserve that is otherwise required.

**Standard Conditions**

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

**CDLAC Additional Conditions**

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.